

# Appendix A - General Fund

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# GENERAL FUND REVENUE

## REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2006

Source	FY01 Actual	% Chg.	FY02 Actual	% Chg.	FY03 Actual	% Chg.	FY04 Actual	% Chg.	FY05 Actual	% Chg.	FY05 Budget	FY05 Variance	% Var.
Sales and Use Tax	817,781,460	-3.5%	836,134,084	2.2%	857,486,801	2.6%	917,243,245	7.0%	896,576,322	-2.3%	899,710,000	(3,133,678)	-0.3%
Service Provider Tax	0	N/A	0	N/A	0	N/A	0	N/A	44,645,517	N/A	44,200,000	445,517	1.0%
Individual Income Tax *	1,167,749,567	8.7%	1,069,834,791	-8.4%	1,071,701,694	0.2%	1,156,715,909	7.9%	1,270,225,329	9.8%	1,259,880,674	10,344,655	0.8%
Corporate Income Tax	96,102,796	-36.0%	77,366,103	-19.5%	91,188,393	17.9%	111,616,051	22.4%	135,862,913	21.7%	123,300,647	12,562,266	10.2%
Cigarette and Tobacco Tax	77,501,831	-1.1%	97,599,599	25.9%	98,414,470	0.8%	96,604,646	-1.8%	96,350,704	-0.3%	96,019,864	330,840	0.3%
Public Utilities Tax	29,776,778	88.6%	30,479,783	2.4%	29,285,143	-3.9%	27,991,188	-4.4%	25,403,214	-9.2%	25,300,000	103,214	0.4%
Insurance Companies Tax	43,576,501	2.1%	55,244,333	26.8%	71,078,089	28.7%	72,206,153	1.6%	75,669,053	4.8%	69,615,872	6,053,181	8.7%
Estate Tax	30,616,759	-47.9%	23,420,240	-23.5%	30,520,320	30.3%	32,075,501	5.1%	32,255,727	0.6%	31,542,767	712,960	2.3%
Prop. Tax - Unorganized Territory	9,808,431	5.1%	10,333,984	5.4%	9,930,103	-3.9%	10,709,308	7.8%	10,622,666	-0.8%	10,580,086	42,580	0.4%
Income from Investments	16,365,950	-19.4%	3,829,583	-76.6%	2,345,855	-38.7%	2,310,207	-1.5%	5,854,625	153.4%	4,896,463	958,162	19.6%
Transfer to Municipal Rev. Sharing	(106,163,291)	-0.5%	(101,150,084)	4.7%	(103,039,221)	-1.9%	(111,464,335)	-8.2%	(119,712,814)	-7.4%	(118,681,657)	(1,031,157)	-0.9%
Transfer from Lottery Commission	35,483,595	-7.0%	39,317,891	10.8%	39,442,111	0.3%	41,272,645	4.6%	49,328,102	19.5%	50,292,750	(964,648)	-1.9%
Other Revenues **	172,027,974	4.0%	189,250,254	10.0%	196,336,434	3.7%	326,259,040	66.2%	267,763,694	-17.9%	264,281,977	3,481,717	1.3%
<b>Total - General Fund Revenue</b>	<b>2,390,628,351</b>	<b>-0.2%</b>	<b>2,331,660,562</b>	<b>-2.5%</b>	<b>2,394,690,190</b>	<b>2.7%</b>	<b>2,683,539,557</b>	<b>12.1%</b>	<b>2,790,845,053</b>	<b>4.0%</b>	<b>2,760,939,443</b>	<b>29,905,610</b>	<b>1.1%</b>

### \* Detail of Property Tax Reimbursement Programs Deducted from Individual Income Tax Revenue

- Maine Resident Property Tax Program									(26,030,227)	N/A	(26,127,647)	97,420	0.4%
- Business Equipment Tax Reimbursement (BETR)									0	N/A	0	0	N/A

### \*\* Detail of Other Revenues:

- Real Estate Transfer Tax	9,048,762	-2.9%	9,208,923	1.8%	10,770,668	17.0%	22,196,221	106.1%	24,113,439	8.6%	23,306,346	807,093	3.5%
- Commercial Forestry Excise Tax	2,943,380	-4.4%	3,681,764	25.1%	3,172,724	-13.8%	2,907,340	-8.4%	2,890,635	-0.6%	3,005,149	(114,514)	-3.8%
- Liquor Sales and Operations	24,231,271	4.3%	25,168,524	3.9%	26,073,276	3.6%	102,182,743	291.9%	49,845,027	-51.2%	50,000,000	(154,973)	-0.3%
- Liquor Taxes and Fees	15,925,822	-0.5%	16,528,396	3.8%	17,141,878	3.7%	17,485,024	2.0%	17,432,377	-0.3%	17,431,231	1,146	0.0%
- Finance Industry Fees	9,811,430	12.5%	9,356,930	-4.6%	9,293,280	-0.7%	9,572,280	3.0%	18,641,800	94.7%	16,563,440	2,078,360	12.5%
- Corporation Fees & Licenses	3,313,312	5.9%	3,390,039	2.3%	3,482,107	2.7%	3,600,455	3.4%	5,637,743	56.6%	5,451,707	186,036	3.4%
- Hunting and Fishing License Fees	13,681,818	-2.5%	14,857,760	8.6%	13,958,510	-6.1%	16,898,278	21.1%	16,691,165	-1.2%	16,138,609	552,556	3.4%
- Boat, ATV and Snowmobile Fees	2,143,124	-3.6%	2,169,025	1.2%	2,483,836	14.5%	3,974,511	60.0%	4,148,890	4.4%	4,239,724	(90,834)	-2.1%
- Parimutuel and Gaming Revenue	1,094,337	1.2%	1,105,430	1.0%	1,086,936	-1.7%	1,036,539	-4.6%	1,362,611	31.5%	1,214,900	147,711	12.2%
- Fines, Forfeits and Penalties	26,525,142	1.4%	26,588,960	0.2%	26,991,935	1.5%	38,219,275	41.6%	35,506,972	-7.1%	35,415,714	91,258	0.3%
- Targeted Case Management (HHS)	26,098,790	30.4%	34,085,690	30.6%	33,235,104	-2.5%	34,762,095	4.6%	34,518,055	-0.7%	34,009,373	508,682	1.5%
- HHS Services Rendered	4,023,508	-17.8%	4,604,354	14.4%	4,774,087	3.7%	8,892,183	86.3%	7,210,878	-18.9%	7,359,189	(148,311)	-2.0%
- State Cost Allocation Program	6,044,287	-23.4%	10,231,443	69.3%	10,986,971	7.4%	10,438,262	-5.0%	12,891,574	23.5%	10,692,505	2,199,069	20.6%
- Unclaimed Property Transfer	2,550,000	-75.0%	7,841,073	207.5%	8,180,260	4.3%	16,763,948	104.9%	10,000,000	-40.3%	10,000,000	0	0.0%
- Education Efficiency Fund Transfer	0	N/A	0	N/A	0	N/A	0	N/A	0	N/A	0	0	N/A
- Tourism Transfer	0	N/A	0	N/A	0	N/A	(7,213,282)	N/A	(7,554,190)	-4.7%	(7,554,189)	(1)	0.0%
- Clean Elections Fund Transfer	(2,274,557)	9.8%	(2,248,226)	1.2%	(2,302,904)	-2.4%	(2,247,659)	2.4%	(2,232,650)	0.7%	(2,250,000)	17,350	0.8%
- Other Miscellaneous	26,867,549	49.2%	22,680,169	-15.6%	27,007,764	19.1%	46,790,827	73.2%	36,659,370	-21.7%	39,258,279	(2,598,909)	-6.6%
IF&W Total Revenue ***	16,619,119	-3.0%	17,895,675	7.7%	17,595,575	-1.7%	21,902,902	24.5%	21,817,659	-0.4%	21,478,863	338,796	1.6%

\*\*\* IF&W Revenue is a component of the Other Revenue line but is not included in the Detail of Other Revenue because it includes Other Revenue classified above.

Updated: 02/28/2006

# GENERAL FUND REVENUE

## REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2006

Source	FY06 Budget	% Chg.	Recom. Chg.	FY06 Revised	% Chg.	FY07 Budget	% Chg.	Recom. Chg.	FY07 Revised	% Chg.
Sales and Use Tax	933,701,080	4.1%	(3,060,000)	930,641,080	3.8%	982,251,607	5.2%	(5,120,000)	977,131,607	5.0%
Service Provider Tax	46,494,165	4.1%	0	46,494,165	4.1%	48,911,765	5.2%	0	48,911,765	5.2%
Individual Income Tax *	1,239,297,845	-2.4%	(10,990,000)	1,228,307,845	-3.3%	1,292,127,672	4.3%	(15,350,000)	1,276,777,672	3.9%
Corporate Income Tax	165,220,000	21.6%	9,930,000	175,150,000	28.9%	158,980,000	-3.8%	8,850,000	167,830,000	-4.2%
Cigarette and Tobacco Tax	147,238,325	52.8%	4,500,000	151,738,325	57.5%	165,466,882	12.4%	0	165,466,882	9.0%
Public Utilities Tax	21,440,000	-15.6%	0	21,440,000	-15.6%	20,495,000	-4.4%	0	20,495,000	-4.4%
Insurance Companies Tax	77,141,931	1.9%	(5,000,000)	72,141,931	-4.7%	79,644,425	3.2%	0	79,644,425	10.4%
Estate Tax	64,079,793	98.7%	6,019,529	70,099,322	117.3%	38,152,245	-40.5%	0	38,152,245	-45.6%
Prop. Tax - Unorganized Territory	11,278,476	6.2%	0	11,278,476	6.2%	11,597,312	2.8%	0	11,597,312	2.8%
Income from Investments	4,286,062	-26.8%	2,277,520	6,563,582	12.1%	5,778,070	34.8%	385,512	6,163,582	-6.1%
Transfer to Municipal Rev. Sharing	(121,620,368)	-1.6%	210,120	(121,410,248)	-1.4%	(126,595,823)	-4.1%	592,620	(126,003,203)	-3.8%
Transfer from Lottery Commission	50,334,250	2.0%	0	50,334,250	2.0%	50,334,250	0.0%	0	50,334,250	0.0%
Other Revenues **	216,529,079	-19.1%	(1,997,398)	214,531,681	-19.9%	224,872,471	3.9%	(5,531,853)	219,340,618	2.2%
<b>Total - General Fund Revenue</b>	<b>2,855,420,638</b>	<b>2.3%</b>	<b>1,889,771</b>	<b>2,857,310,409</b>	<b>2.4%</b>	<b>2,952,015,876</b>	<b>3.4%</b>	<b>(16,173,721)</b>	<b>2,935,842,155</b>	<b>2.7%</b>
<b>Change in Biennial Totals</b>								<b>(14,283,950)</b>		

### \* Detail of Property Tax Reimbursement Programs Deducted from Individual Income Tax Revenue

- Maine Resident Property Tax Program	(44,720,507)	-71.8%	391,543	(44,328,964)	-70.3%	(46,493,783)	-4.0%	397,963	(46,095,820)	-4.0%
- BETR - Business Equipment Tax Reimb.	(73,463,191)	N/A	2,000,000	(71,463,191)	N/A	(68,146,508)	7.2%	0	(68,146,508)	4.6%

### \* Detail of Other Revenues:

- Real Estate Transfer Tax	19,504,918	-19.1%	3,000,000	22,504,918	-6.7%	19,314,440	-1.0%	0	19,314,440	-14.2%
- Commercial Forestry Excise Tax	3,000,000	3.8%	0	3,000,000	3.8%	3,450,000	15.0%	0	3,450,000	15.0%
- Liquor Sales and Operations	1,500,000	-97.0%	1,034,391	2,534,391	-94.9%	1,500,000	0.0%	2,000,000	3,500,000	38.1%
- Liquor Taxes and Fees	18,436,397	5.8%	0	18,436,397	5.8%	18,908,202	2.6%	0	18,908,202	2.6%
- Banking Fees/Assessments	19,912,310	6.8%	0	19,912,310	6.8%	19,912,310	0.0%	0	19,912,310	0.0%
- Corporation Fees & Licenses	5,528,707	-1.9%	0	5,528,707	-1.9%	5,530,707	0.0%	0	5,530,707	0.0%
- Hunting and Fishing License Fees	16,144,351	-3.3%	0	16,144,351	-3.3%	16,300,487	1.0%	0	16,300,487	1.0%
- Boat, ATV and Snowmobile Fees	3,870,938	-6.7%	0	3,870,938	-6.7%	3,870,938	0.0%	0	3,870,938	0.0%
- Parimutuel and Gaming Revenue	4,114,814	202.0%	321,336	4,436,150	225.6%	4,682,640	13.8%	(225,330)	4,457,310	0.5%
- Fines, Forfeits and Penalties	43,042,996	21.2%	(2,500,000)	40,542,996	14.2%	44,705,883	3.9%	(2,500,000)	42,205,883	4.1%
- Targeted Case Management (HHS)	34,907,681	1.1%	(3,000,000)	31,907,681	-7.6%	35,271,042	1.0%	(5,000,000)	30,271,042	-5.1%
- HHS Services Rendered	5,645,665	-21.7%	0	5,645,665	-21.7%	4,839,571	-14.3%	0	4,839,571	-14.3%
- State Cost Allocation Program	10,537,222	-18.3%	1,000,000	11,537,222	-10.5%	10,721,512	1.7%	1,000,000	11,721,512	1.6%
- Unclaimed Property Transfer	9,550,000	-4.5%	0	9,550,000	-4.5%	13,678,320	43.2%	0	13,678,320	43.2%
- Education Efficiency Fund Transfer	0	N/A	0	0	N/A	0	N/A	0	0	N/A
- Tourism Transfer	(7,762,689)	-2.8%	0	(7,762,689)	-2.8%	(8,237,761)	-6.1%	135,674	(8,102,087)	-4.4%
- Clean Elections Fund Transfer	(4,250,000)	-90.4%	0	(4,250,000)	-90.4%	(250,000)	94.1%	0	(250,000)	94.1%
- Other Miscellaneous	32,845,769	-10.4%	(1,853,125)	30,992,644	-15.5%	30,674,180	-6.6%	(942,197)	29,731,983	-4.1%
IF&W Total Revenue ***	21,192,191	-2.9%	(4,796)	21,187,395	-2.9%	21,365,107	0.8%	897	21,366,004	0.8%

\*\*\* IF&W Revenue is a component of the Other Revenue line but is not included in the Detail of Other Revenue because it includes Other Revenue classified above.

Updated: 02/28/2006

# GENERAL FUND REVENUE

## REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2006

Source	FY08 Projection	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Projection	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Sales and Use Tax	1,027,840,880	4.6%	(4,270,000)	1,023,570,880	4.8%	1,073,444,023	4.4%	(4,940,000)	1,068,504,023	4.4%
Service Provider Tax	51,181,910	4.6%	0	51,181,910	4.6%	53,452,742	4.4%	0	53,452,742	4.4%
Individual Income Tax *	1,334,752,988	3.3%	(19,530,000)	1,315,222,988	3.0%	1,384,613,932	3.7%	(27,760,000)	1,356,853,932	3.2%
Corporate Income Tax	157,970,000	-0.6%	6,970,000	164,940,000	-1.7%	158,000,000	0.0%	8,030,000	166,030,000	0.7%
Cigarette and Tobacco Tax	164,396,738	-0.6%	0	164,396,738	-0.6%	163,198,120	-0.7%	0	163,198,120	-0.7%
Public Utilities Tax	19,320,000	-5.7%	0	19,320,000	-5.7%	18,260,000	-5.5%	0	18,260,000	-5.5%
Insurance Companies Tax	81,149,288	1.9%	0	81,149,288	1.9%	82,684,299	1.9%	0	82,684,299	1.9%
Estate Tax	41,662,371	9.2%	0	41,662,371	9.2%	46,528,951	11.7%	0	46,528,951	11.7%
Prop. Tax - Unorganized Territory	11,958,218	3.1%	0	11,958,218	3.1%	12,332,279	3.1%	0	12,332,279	3.1%
Income from Investments	4,821,820	-16.5%	1,341,762	6,163,582	0.0%	4,821,820	0.0%	1,341,762	6,163,582	0.0%
Transfer to Municipal Rev. Sharing	(133,730,780)	-5.6%	875,160	(132,855,620)	-5.4%	(138,814,556)	-3.8%	1,282,840	(137,531,716)	-3.5%
Transfer from Lottery Commission	49,834,250	-1.0%	0	49,834,250	-1.0%	49,834,250	0.0%	0	49,834,250	0.0%
Other Revenues **	204,495,467	-9.1%	(8,327,383)	196,168,084	-10.6%	202,573,941	-0.9%	(8,021,531)	194,552,410	-0.8%
<b>Total - General Fund Revenue</b>	<b>3,015,653,150</b>	<b>2.2%</b>	<b>(22,940,461)</b>	<b>2,992,712,689</b>	<b>1.9%</b>	<b>3,110,929,801</b>	<b>3.2%</b>	<b>(30,066,929)</b>	<b>3,080,862,872</b>	<b>2.9%</b>
<b>Change in Biennial Totals</b>								<b>(53,007,390)</b>		

### \* Detail of Property Tax Reimbursement Programs Deducted from Individual Income Tax Revenue

- Maine Resident Property Tax Program	(48,875,193)	-5.1%	435,180	(48,440,013)	-5.1%	(51,874,912)	-6.1%	485,827	(51,389,085)	-6.1%
- BETR - Business Equipment Tax Reimb.	(77,707,000)	-14.0%	0	(77,707,000)	-14.0%	(79,646,983)	-2.5%	0	(79,646,983)	-2.5%

### \* Detail of Other Revenues:

- Real Estate Transfer Tax	11,884,726	-38.5%	0	11,884,726	-38.5%	11,955,435	0.6%	0	11,955,435	0.6%
- Commercial Forestry Excise Tax	3,500,000	1.4%	0	3,500,000	1.4%	3,500,000	0.0%	0	3,500,000	0.0%
- Liquor Sales and Operations	1,500,000	0.0%	2,000,000	3,500,000	0.0%	1,500,000	0.0%	2,000,000	3,500,000	0.0%
- Liquor Taxes and Fees	19,260,253	1.9%	0	19,260,253	1.9%	19,625,039	1.9%	0	19,625,039	1.9%
- Banking Fees/Assessments	19,910,910	0.0%	0	19,910,910	0.0%	19,910,910	0.0%	0	19,910,910	0.0%
- Corporation Fees & Licenses	5,530,707	0.0%	0	5,530,707	0.0%	5,530,707	0.0%	0	5,530,707	0.0%
- Hunting and Fishing License Fees	16,300,487	0.0%	0	16,300,487	0.0%	16,300,487	0.0%	0	16,300,487	0.0%
- Boat, ATV and Snowmobile Fees	3,870,938	0.0%	0	3,870,938	0.0%	3,870,938	0.0%	0	3,870,938	0.0%
- Parimutuel and Gaming Revenue	7,281,584	55.5%	(2,669,977)	4,611,607	3.5%	8,605,583	18.2%	(1,977,918)	6,627,665	43.7%
- Fines, Forfeits and Penalties	42,015,208	-6.0%	(1,500,000)	40,515,208	-4.0%	42,020,208	0.0%	(1,500,000)	40,520,208	0.0%
- Targeted Case Management (HHS)	35,786,872	1.5%	(5,000,000)	30,786,872	1.7%	36,262,056	1.3%	(5,000,000)	31,262,056	1.5%
- HHS Services Rendered	4,841,305	0.0%	0	4,841,305	0.0%	4,841,305	0.0%	0	4,841,305	0.0%
- State Cost Allocation Program	10,721,512	0.0%	0	10,721,512	-8.5%	10,721,512	0.0%	0	10,721,512	0.0%
- Unclaimed Property Transfer	22,835,500	66.9%	0	22,835,500	66.9%	25,210,825	10.4%	0	25,210,825	10.4%
- Education Efficiency Fund Transfer	(14,552,541)	N/A	(354,796)	(14,907,337)	N/A	(20,730,626)	-42.5%	(743,291)	(21,473,917)	-44.0%
- Tourism Transfer	(8,675,720)	-5.3%	145,633	(8,530,087)	-5.3%	(9,145,907)	-5.4%	154,127	(8,991,780)	-5.4%
- Clean Elections Fund Transfer	(2,250,000)	-800.0%	0	(2,250,000)	-800.0%	(2,250,000)	0.0%	0	(2,250,000)	0.0%
- Other Miscellaneous	24,733,726	-19.4%	(948,243)	23,785,483	-20.0%	24,845,469	0.5%	(954,449)	23,891,020	0.4%

IF&W Total Revenue \*\*\* 21,373,208 0.0% 1,357 21,374,565 0.0% 21,381,157 0.0% 1,751 21,382,908 0.0%

\*\*\* IF&W Revenue is a component of the Other Revenue line but is not included in the Detail of Other Revenue because it includes Other Revenue classified above.

Updated: 02/28/2006

### General Fund - Sales and Use Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$857,486,801	\$917,243,245	\$896,576,322	\$933,701,080	\$982,251,607	\$1,027,840,880	\$1,073,444,023
Annual % Growth		7.0%	-2.3%	4.1%	5.2%	4.6%	4.4%
Net Increase (Decrease)				(\$3,060,000)	(\$5,120,000)	(\$4,270,000)	(\$4,940,000)
Revised Forecast	\$857,486,801	\$917,243,245	\$896,576,322	\$930,641,080	\$977,131,607	\$1,023,570,880	\$1,068,504,023
Annual % Growth		7.0%	-2.3%	3.8%	5.0%	4.8%	4.4%

#### Revenue Source Summary:

The sales tax is imposed at the rate of 5% of the sale price on retail sales of tangible personal property and taxable services; at 7% on temporary rentals of living quarters in hotels, rooming houses, tourist and trailer camps, the sale of liquor by the drink and prepared food; and at 10% on the short-term rental of automobiles. The tax is also imposed on casual sales of motor vehicles, camper trailers, truck campers, livestock trailers, special mobile equipment, boats and aircraft. Sales of new manufactured housing (mobile homes and modular homes) are subject to the 5% tax, usually at 50% of the selling price. Many exemptions and exclusions exist, including grocery staples.

The use tax is imposed at the same rate as the sales tax on the sale price of tangible personal property and taxable services purchased at retail sale beyond the collection jurisdiction of the State for use, storage or other consumption in Maine, unless substantial (12 months) use was made of the property elsewhere before it was brought to Maine. An exception is made for motor vehicles registered as automobiles that were purchased and actually used in another state before being brought to Maine, if the purchaser was a resident of the other state at the time of purchase. The use tax does not apply to purchases on which Maine sales tax has been paid, and credit is allowed for sales or use tax paid in another jurisdiction up to the amount of the Maine tax.

Beginning in FY05, certain services previously included in this category were moved to the Service Provider Tax (see next page in Appendix for this revenue category). This change accounts for the negative growth in FY05.

#### Revenue Source Forecast Factors and Trends:

Sales and Use Tax is one of the major revenue sources tied to economic activity with projections developed using Maine Revenue Services tax models with input from the economic variables forecast by the Concensus Economic Forecasting Commission (CEFC). Sales and Use Tax projections in the tax models are derived primarily from aggregate Personal Income growth assumptions. Total employment growth is used to predict business purchases. Inflation projections are also used for those elements of the sales and excise tax models that are based on units sold in order to produce an inflation adjusted dollar value.

Sales and Use Tax revenue has been under budget consistently since the beginning of the heating season late last fall. The Committee made a late adjustment in June 2005 revising the forecast for this line downward by \$15.0 million. Sales and Use Tax revenue was under budget after this revision by \$3.1 million (-0.3%). The growth of this revenue line, which had been very strong after the FY02 (4.9% growth in FY03 and 7.0% growth in FY04), dropped to 2.6% in FY05 (after adjusting and adding back in the components that were separated into the Service Provider Tax).

**Taxable Sales Trends** - For calendar year 2005, taxable sales were up 2% over the previous year. The strongest growth was in the other retail category, up 6%, followed by the business operating, food store and building supplies sectors, all up 5%. The general merchandise sector was down 1%, auto/transportation sales were down 2%, and restaurant and lodging sales were up 3%. See Appendix G for more detail on taxable sales growth.

**Forecast Recommended Changes:**

The updated tax models allow for additional variables such as energy prices. With that additional variable the models now seem to be closer to actual in the historical data and provide the RFC with a better projection of taxable sales. The inclusion of oil prices (see background section of report) in the model shift household consumption to the purchase of tax exempt fuel and away from other goods and services, both taxable and tax exempt. This change in the mix of consumer purchases results in a reduction of the forecast throughout the forecast period.

The recommended change to this revenue line is a result of the combination of the new economic assumptions, recognition of a one-time large audit payment in FY06, and an assumption of weak auto sales in FY06 and then a slow recovery throughout the forecast window.

## General Fund - Individual Income Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$1,071,701,694	\$1,156,715,909	\$1,270,225,329	\$1,239,297,845	\$1,292,127,672	\$1,334,752,988	\$1,384,613,932
Annual % Growth		7.9%	9.8%	-2.4%	4.3%	3.3%	3.7%
Net Increase (Decrease)				(\$10,990,000)	(\$15,350,000)	(\$19,530,000)	(\$27,760,000)
Revised Forecast	\$1,071,701,694	\$1,156,715,909	\$1,270,225,329	\$1,228,307,845	\$1,276,777,672	\$1,315,222,988	\$1,356,853,932
Annual % Growth		7.9%	9.8%	-3.3%	3.9%	3.0%	3.2%

### Revenue Source Summary:

This category includes all revenue from individual income tax including penalties and interest associated with the collection of individual income tax. It also includes income tax on fiduciaries and income tax from Partnerships, Limited Liability Corporations and S Corporations that are reported on the owners' individual income tax returns.

Beginning in FY05, Individual Income Tax revenue was reduced by the amount of the payments under the Maine Residents Property Tax Program (Tax and Rent Refund or Circuit Breaker). Amounts necessary for the benefit payments are transferred from Individual Income Tax revenue to a reserve account for payment. Beginning in FY06, a similar arrangement was established for the Business Equipment Tax Reimbursement (BETR) program. Estimates of these transfers and the effect that they have on the forecast of Individual Income are detailed in separate sections. The amounts above reflect net amounts after the transfers for these tax reimbursement programs, but do not reflect the transfer to the Local Government Fund for State-Municipal Revenue Sharing.

### Revenue Source Forecast Factors and Trends:

The individual income tax simulation model is the most complicated and involves the input of multiple economic variables. The individual components of Personal Income, which include salaries and wages; dividend interest and rents; proprietor's income; supplements to wages and salaries; and transfer payments are fed into the model. Other factors include: inflation projections that drive statutory indexing provisions (tax brackets and standard deduction amounts); total employment growth and unemployment rate affecting assumed number of tax filings; and the 3-month and 10-year Treasury Rates that drive interest earnings assumptions and the mortgage interest deduction.

A major variable thnot included in the consensus economic forecast is net capital gains realizations. This is variable has produced some significant volatility in the individual income tax collections. A detailed discussion is included in the body of the report.

Current Year Variance - Individual Income Tax collections have dropped below projections in recent months. This category was adjusted upward by \$71.8 million in the December 2005 revenue forecast. The current year variance through January is \$18.5 million (-2.4% of budget), excluding the variances associated with the BETR and Circuit Breaker programs. Estimated payments were under budget in December and January resulting in a negative variance of \$11.8 million (-6.8%) through January. Refunds have surged ahead of projections very early in the processing season, accounting for \$6.1 million of the negative variance. Fiscal year-to-date withholding payments were up 4.1% over FY05 amounts and have been tracking very close to revised projections (less than -0.1% variance through January).



**Forecast Recommended Changes:**

The revised economic variables in the current CEFC forecast all have tended to drive the model projections of the individual income tax lower. Slower wage and salary growth, slower employment growth and higher inflation. The committee had to factor in the recent performance of individual income tax withholding, which was only very modestly below forecast. The reprojection on this line reflects the lower than expected final estimated payment for tax year 2005 received in January. The new economic forecast and a zero growth assumption for capital gains realizations were sufficient to explain the shortfall in the final estimated payment.

The net changes above also reflect the adjustments made to the BETR and Circuit Breaker programs. (See separate summaries for the detail of the changes to those programs.)

**General Fund - Individual Income Tax (Maine Residents Property Tax Program)  
aka "Tax and Rent Refund" or "Circuit Breaker" Program**

	<b>FY03 Actual</b>	<b>FY04 Actual</b>	<b>FY05 Actual</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
Current Forecast	\$0	\$0	(\$26,030,227)	(\$44,720,507)	(\$46,493,783)	(\$48,875,193)	(\$51,874,912)
Annual % Growth		N/A	N/A	71.8%	4.0%	5.1%	6.1%
Net Increase (Decrease)				\$391,543	\$397,963	\$435,180	\$485,827
Revised Forecast	\$0	\$0	(\$26,030,227)	(\$44,328,964)	(\$46,095,820)	(\$48,440,013)	(\$51,389,085)
Annual % Growth		N/A	N/A	70.3%	4.0%	5.1%	6.1%

**Revenue Source Summary:**

Beginning with FY05, taxpayer reimbursement under the Maine Residents' Property Tax Reimbursement (Tax and Rent Refund or "Circuit Breaker") program is accounted for as a deduction from the individual income tax line rather than an expenditure from General Fund appropriations for that purpose. The program expansion (PL 2005, c. 2) is reflected beginning in fiscal year 2005-06 and includes: an increase in the maximum payment from \$1,000 to \$2,000, the elimination of income thresholds, the establishment of maximum property taxes used to calculate benefits (\$3,000 single/\$4,000 multiple member household) and an increase in the % of rent constituting property taxes from 18% to 20%. It also extended the close of the application period from 12/31/to 5/31. The amounts reflected in the table above represent gross program costs prior to the adjustment for state-municipal revenue sharing.

**Revenue Source Forecast Factors and Trends:**

This component of individual income tax is forecast using a combination of the income tax and property tax modules within the tax models. It is driven by economic forecast, particularly the income components, and a forecast of residential property values based on recent trends in each municipality.

FY05 program costs were just under budget, resulting in a positive revenue variance. For the 1st 7 months of FY06, the program expenditures been under budget by \$5.4 million. The length of the program year was extended until May beginning this fiscal year. This is still thought to be a timing issue that will balance out over the next couple of months. The timing of payments may be affected by the program expansion.

**Forecast Recommended Changes:**

Despite the positive variance noted above the only change recommended at this time is a correction to correctly reflect a legislative change that should have been included in the estimate for this program in the December 2005 forecast. This change represents no aggregate change to individual income tax only a change in the classification within individual income tax. It also corrects this detail table to agree with the summary amounts in the December 2005 report.

## General Fund - Individual Income Tax - Business Equipment Tax Reimbursement (BETR)

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$0	\$0	\$0	(\$73,463,191)	(\$68,146,508)	(\$77,707,000)	(\$79,646,983)
Annual % Growth		N/A	N/A	N/A	-7.2%	14.0%	2.5%
Net Increase (Decrease)				\$2,000,000	\$0	\$0	\$0
Revised Forecast	\$0	\$0	\$0	(\$71,463,191)	(\$68,146,508)	(\$77,707,000)	(\$79,646,983)
Annual % Growth		N/A	N/A	N/A	-4.6%	14.0%	2.5%

### Revenue Source Summary:

Beginning with FY06, taxpayer reimbursement under the Business Equipment Tax Reimbursement (BETR) program is accounted for as a deduction from the individual income tax line rather than an expenditure from General Fund appropriations for that purpose. Certain persons and property such as office furniture, lamps and lighting fixtures and gambling machines or devices are not eligible for reimbursement (see 36 MRSA Chapter 915 for specific exclusions). Retail property will also be excluded for property tax years beginning after April 1, 2006. BETR reimbursement is 100% of the property taxes paid on eligible property, except that for claims filed for the application period that begins on August 1, 2006 the reimbursement is 90% of the taxes. Eligible property is subject to reimbursement for up to 12 property tax years, but the 12 years must be reduced by one year for each year during which a taxpayer included the same property in its investment credit base. The amounts reflected in the table above represent gross program costs prior to the adjustment for state-municipal revenue sharing.

### Revenue Source Forecast Factors and Trends:

BETR expenditures are forecast off model. New business investment in equipment is the primary driving force in the expenditures of this program. The program was expected to grow on a compounded basis as new investment was layered on to previously eligible equipment during the first 12 years of the program. After the 12th year, the property eligible in the first year is dropped from the program so that the growth of the program will slow dramatically. FY08 is the first year when business equipment in the program for 12 years will drop out. The increase in FY08 in the table above reflects the one-time reduction in FY07 at 90% reimbursement instead of 100%.

The program's expenditures have been below expectations for the first 7 months of FY06 by \$9.9 million, partially offsetting the negative variance in the individual income tax. Still thought to be a timing issue as several large payments are pending payment.

### Forecast Recommended Changes:

Revise program expenditures downward in FY06 by \$2 million on a one-time basis resulting in an increase to the revenue forecast.

## General Fund - Corporate Income Tax

	FY03 Actual	FY05 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$91,188,393	\$111,616,051	\$135,862,913	\$165,220,000	\$158,980,000	\$157,970,000	\$158,000,000
Annual % Growth		22.4%	21.7%	21.6%	-3.8%	-0.6%	0.0%
Net Increase (Decrease)				\$9,930,000	\$8,850,000	\$6,970,000	\$8,030,000
Revised Forecast	\$91,188,393	\$111,616,051	\$135,862,913	\$175,150,000	\$167,830,000	\$164,940,000	\$166,030,000
Annual % Growth		22.4%	21.7%	28.9%	-4.2%	-1.7%	0.7%

### Revenue Source Summary:

This revenue is derived by a corporate income tax imposed on all corporations subject to federal income tax and having nexus with Maine, with the exception of financial institutions subject to the franchise tax and insurance companies subject to the premium tax. The tax is levied on Maine net income which is federal taxable income as modified by Maine law. In the case of a corporation doing business both within and outside of the State, Maine net income is determined by apportioning the modified federal taxable income according to a formula using payroll, property and sales. Tax rates are progressive from 3.5% to 8.93%. The amounts reflected in the table above are prior to the deduction for state-municipal revenue sharing. A small portion of this revenue line includes taxes received from financial institutions through the Franchise Tax.

### Revenue Source Forecast Factors and Trends:

Revenue projections are driven by the corporate income tax model with assumptions for inflation (CPI-U), total employment growth and growth by sector. The model also relies on forecasts of corporate profitability. The recommended revisions result from new data, model changes and court cases that were not considered during the prior forecast. Corporate Income Tax revenue was over budget in FY05 by \$12.6M, and through January 2006, the FY06 positive year-to-date revenue variance has grown to \$11.6 million above the recently increased forecast.

### Forecast Recommended Changes:

The sustained increase in corporate income tax receipts combined with independent forecasts that corporate profits will continue to grow, albeit at lower rates, results in a significant increase in the forecast of corporate income revenues. The forecast assumes a higher level of receipts with little or no growth in future years. This is consistent with the national corporate profits forecast and Maine's recent non-conformity with various federal tax provisions (e.g., bonus depreciation).

The Maine Corporate Income Tax has seen a significant transformation over the last ten years. The vast majority tax liability from this tax now comes from large multi-national corporations whose profitability is not related to maine-specific economic factors. This forecast reflects the fact that Maine is benefiting from the current environment of strong national corporate profitability. When the national economy enters the next recession it's likely that corporate profits will fall and so will Maine corporate income tax receipts, regardless of well the Maine economy fares in that next recession. The pattern of corporate receipts in this updated forecast reflects the forecast of corporate profits and the recovery of bonus depreciation by corporations that was denied by the state between 2002 and 2005.

## General Fund - Cigarette and Tobacco Tax

	<b>FY03 Actual</b>	<b>FY04 Actual</b>	<b>FY05 Actual</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
Current Forecast	\$98,414,470	\$96,604,646	\$96,350,704	\$147,238,325	\$165,466,882	\$164,396,738	\$163,198,120
Annual % Growth		-1.8%	-0.3%	52.8%	12.4%	-0.6%	-0.7%
Net Increase (Decrease)				\$4,500,000	\$0	\$0	\$0
Revised Forecast	\$98,414,470	\$96,604,646	\$96,350,704	\$151,738,325	\$165,466,882	\$164,396,738	\$163,198,120
Annual % Growth		-1.8%	-0.3%	57.5%	9.0%	-0.6%	-0.7%

### Revenue Source Summary:

This revenue category includes revenue from the cigarette tax and tobacco products tax. The cigarette tax is imposed on all cigarettes held in this State for retail sale and a tax on the wholesale price of other tobacco products. The rate of the cigarette tax was 50 mills per cigarette or \$1.00 per pack before September 19, 2005. Beginning September 19, 2005 the cigarette tax rate was increased to \$2.00 per pack. On October 1, 2005 the rate of tax on smokeless tobacco products was increased from 62% of the wholesale price to 78% and the tax on cigars, pipe tobacco and other tobacco intended for smoking was increased from 16% of the wholesale price to 20%.

### Revenue Source Forecast Factors and Trends:

The cigarette tax forecast is developed using Maine Revenue Services Sales and Excise Tax model.

This category was very close to budget in FY05 with a modest positive variance of \$330,840 or +0.3%. The significant increase in these taxes during the last legislative session (see amounts below) added a lot of potential uncertainty into the forecast. The assumptions about price elasticity associated with these tax changes and the effect on the volume attempted to factor in behavior related to this tax change. It is still too early in the fiscal year to determine whether the assumptions will hold up. The variances through the first 7 months of FY 06 have been up and down, but over the last 3 months since the last forecast the positive variance has increased to \$6,185,190 (+7.6%) for the fiscal year-to-date through January.

<b>Legislative Changes:</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
Increase cigarette tax by \$1	\$0	\$51,341,668	\$69,990,814	\$69,613,147	\$69,204,859
Increase other tobacco taxes	\$0	\$671,297	\$942,574	\$961,427	\$980,654
<b>Total Legislative Changes</b>	<b>\$0</b>	<b>\$52,012,965</b>	<b>\$70,933,388</b>	<b>\$70,574,574</b>	<b>\$70,185,513</b>

### Forecast Recommended Changes:

The RFC is recommending a one-time increase in FY 06 that is related to the floor stock (inventory) tax on cigarettes held by sellers at the time the tax rate was increased. The inventory tax is primarily responsible for the positive variance on this line.

## General Fund - Insurance Company Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$71,078,089	\$72,206,153	\$75,669,053	\$77,141,931	\$79,644,425	\$81,149,288	\$82,684,299
Annual % Growth		1.6%	4.8%	1.9%	3.2%	1.9%	1.9%
Net Increase (Decrease)				(\$5,000,000)	\$0	\$0	\$0
Revised Forecast	\$71,078,089	\$72,206,153	\$75,669,053	\$72,141,931	\$79,644,425	\$81,149,288	\$82,684,299
Annual % Growth		1.6%	4.8%	-4.7%	10.4%	1.9%	1.9%

### Revenue Source Summary:

This revenue is derived primarily by the state tax on every insurance company or association organized under the laws of this State at the rate of 2% of gross direct premiums, (1% of long-term health care premiums) including annuity considerations, on all policies written in Maine, less allowed deductions. The tax on insurance placed in the surplus lines insurance market is 3%. The tax on qualified group disability plans is 2.55% for large domestic insurers and 1% for all other insurers. Every non-resident insurance company authorized to do business in this State is liable for a tax on all policies written in Maine at the Maine rate or the rate at which a Maine company would be taxed in the state or Canadian province where the non-resident company is domiciled, whichever is greater. Reduced rates are provided for

### Revenue Source Forecast Factors and Trends:

This tax is forecast off model. Estimates are made based on historical trends and input from various sources. Since the tax is based on premiums, the RFC must analyze those factors that affects premiums: insurance companies' investment earnings and payments on insured losses. Any significant increases in premiums may also affect demand, as purchasers react by increasing deductibles or dropping coverage. There were no legislative changes during 122nd Legislature that directly affecting this revenue category. FY06 is affected by a change in a \$983,000 credit for a surcharge on Fire Insurance Premiums that was delayed until FY06.

The revenue category has been running under budget for the first 7 months of FY06. For the fiscal year-to-date, this category is under budget by \$3.1 million (-20.7%). The last estimated payments for calendar year 2005 came in under budget and roughly \$1 million dollars that was projected to be collected in FY06 was received in the prior fiscal year.

### Forecast Recommended Changes:

The RFC is recommending an adjustment to reflect current year experience. Most of the revenue from the Insurance Companies Tax is collected between March and June. After reviewing final FY06 collections the RFC may need to make adjustments to the FY07 through FY09 forecast at its Fall meeting.

## General Fund - Estate Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$30,520,320	\$32,075,501	\$32,255,727	\$64,079,793	\$38,152,245	\$41,662,371	\$46,528,951
Annual % Growth		5.1%	0.6%	98.7%	-40.5%	9.2%	11.7%
Net Increase (Decrease)				\$6,019,529	\$0	\$0	\$0
Revised Forecast	\$30,520,320	\$32,075,501	\$32,255,727	\$70,099,322	\$38,152,245	\$41,662,371	\$46,528,951
Annual % Growth		5.1%	0.6%	117.3%	-45.6%	9.2%	11.7%

### Revenue Source Summary:

This revenue is derived primarily by the state tax imposed upon the transfer of the estate of every person who was a Maine resident at the time of death. For deaths occurring before January 1, 2002 the tax is equal to the amount by which the credit allowed against the federal estate tax for state death taxes exceeds the amount of such taxes actually paid to other states, provided that the allowance for such taxes may not exceed that percentage of the federal tax credit which the other states' portion of the estate is to the total estate. Beginning in 2002, the federal estate tax and the federal credit for state death taxes are being phased out. The federal credit was reduced to 75% in 2002, 50% in 2003, 25% in 2004 and completely eliminated beginning in 2005. For deaths occurring after 2002, the Maine estate tax is equal to the tax that would be owed using the formula for calculating the federal credit for state death taxes in effect on December 31, 2002 (exclusive of any reduction in the maximum credit amount) and based on the unified credit amount as of December 31, 2002. A similar tax is imposed on real and tangible personal property having Maine situs passing by reason of the death of a person not a Maine resident, at the same percentage of the federal allowance for state death taxes that the value of the property taxable in Maine.

### Revenue Source Forecast Factors and Trends:

The estate tax is forecast using Maine Revenue Services tax models. The models are supplemented with a look at actual tax file data through queries of the data base to pick out the unusual large returns. The FY 06 revision includes a one-time upward projection due to a positive year-to-date variance attributable to an unexpected number of moderately sized estate tax payments.

### Forecast Recommended Changes:

This forecast increases the estimate on a one-time basis to reflect an unexpected number of moderately sized (\$2 - \$4 million) estate tax payments.

## General Fund - Income from Investments

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$2,345,855	\$2,310,207	\$5,854,625	\$4,286,062	\$5,778,070	\$4,821,820	\$4,821,820
Annual % Growth		-1.5%	153.4%	-26.8%	34.8%	-16.5%	0.0%
Net Increase (Decrease)				\$2,277,520	\$385,512	\$1,341,762	\$1,341,762
Revised Forecast	\$2,345,855	\$2,310,207	\$5,854,625	\$6,563,582	\$6,163,582	\$6,163,582	\$6,163,582
Annual % Growth		-1.5%	153.4%	12.1%	-6.1%	0.0%	0.0%

### Revenue Source Summary:

This category represents the Treasurer of State's investment of excess money in the state treasury that is not needed to meet current obligations (see 5 MRSA section 135). The Treasurer of State is authorized to invest these funds in bonds, notes, certificates of indebtedness or other obligations specified in statute. Earnings on these investments are credited to the General Fund unless specifically designated otherwise. Occasionally, there are credits to this revenue category for small miscellaneous items collected by the state. These items are generally insignificant and unpredictable. Therefore, while they are reflected in actual revenue for FY05, nothing is budgeted for them in FY06 or beyond.

### Revenue Source Forecast Factors and Trends:

The major factors that affect earnings are the rates of return on investments and the balances of cash available for investment. These factors are heavily influenced by the economy, the budget, the reliance on Tax Anticipation Notes (TAN's) and the Treasurer's investment policies.

Economy - Interest rates have been near historic lows for several years based on Federal Reserve Board monetary policy. As the Fed's tightened the money supply, interest rates rose and earnings improved in FY05. Economy.com predicts rates peaking in calendar year 2006.

Budget - Decisions were made to use the Rainy Day Fund and other reserves to fund ongoing programs. This reduced earnings early in this decade. Positive revenue variances and higher earnings rates are contributing to higher than expected earnings in FY 06.

TAN Amounts - See below for assumptions. With the improvement in General Fund cash balances as noted above, the Tax Anticipation Note (TAN) was reduced in the December forecast. The March forecast does not change that reduction.

Investment Policy - The Treasurer's investment policy (type of investment vehicle purchased, liquidity to meet daily needs, selection criteria for specific investments, etc.) affects the rate of return on the pool. No change in policy is expected.

### Forecast Recommended Changes:

With the upward revenue revisions from the December 2005 forecast and the new appropriations limitation law, the expectation is that earnings will continue to improve over the course of the 2006-2007 biennium. The full impact of this general improvement on the structural gap beyond the current biennium will not be reflected until subsequent budget decisions are made on the use of the new resources.

Historical Data and Assumptions							
	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
<b>TAN</b>							
Current Forecast	\$250,000,000	\$275,000,000	\$190,000,000	\$123,625,000	\$125,000,000	\$125,000,000	\$125,000,000
Revised Forecast				\$123,625,000	\$125,000,000	\$125,000,000	\$125,000,000
<b>Pool Earnings Rate</b>							
Current Forecast	2.06%	1.32%	2.39%	4.00%	4.00%	4.00%	4.00%
Revised Forecast				4.33%	4.50%	4.50%	4.50%



## General Fund - Transfer to Municipal Revenue Sharing

	<b>FY03 Actual</b>	<b>FY04 Actual</b>	<b>FY05 Actual</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
Current Forecast	(\$103,039,221)	(\$111,464,335)	(\$119,712,814)	(\$121,620,368)	(\$126,595,823)	(\$133,730,780)	(\$138,814,556)
Annual % Growth		-8.2%	-7.4%	-1.6%	-4.1%	-5.6%	-3.8%
Net Increase (Decrease)				\$210,120	\$592,620	\$875,160	\$1,282,840
Revised Forecast	(\$103,039,221)	(\$111,464,335)	(\$119,712,814)	(\$121,410,248)	(\$126,003,203)	(\$132,855,620)	(\$137,531,716)
Annual % Growth		-8.2%	-7.4%	-1.4%	-3.8%	-5.4%	-3.5%

### Revenue Source Summary:

These amounts above represent transfers made on the last day of each month from the General Fund to the Local Government Fund or the Disproportionate Tax Burden Fund. Amounts equal to 5.1%, increasing to 5.2% on July 1, 2007, of the taxes collected and credited to the General Fund under, the individual income tax, the corporate income tax, the franchise tax on financial institutions, the service provider tax and the sales and use taxes are transferred. The amounts transferred are ultimately distributed to municipalities each month based on a formula.

### Revenue Source Forecast Factors and Trends:

See discussion of Individual Income Tax, Sales and Use Tax, Corporate Income Tax and Service Provider Tax for trends. The monthly transfers are determined by these major tax sources. Presented below are the total impact of legislative changes. Unlike the other write-ups revenue sharing is summarized by the 4 major tax sources that determine the revenue sharing amounts. The 122nd Legislature did delay by an additional 2 years, the increase in the percentage of the major taxes that gets transferred each month. This increase was also delayed for 2 years by the 121st Legislature. The percentage is now schedule to increase from 5.1% to 5.2% on July 1, 2007.

### Forecast Recommended Changes:

See discussion of Individual Income Tax, Sales and Use Tax, Corporate Income Tax and Service Provider Tax for trends. The monthly transfers are determined by these major tax sources.

## General Fund - Real Estate Transfer Tax

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$10,770,668	\$22,196,221	\$24,113,439	\$19,504,918	\$19,314,440	\$11,884,726	\$11,955,435
Annual % Growth		106.1%	8.6%	-19.1%	-1.0%	-38.5%	0.6%
Net Increase (Decrease)				\$3,000,000	\$0	\$0	\$0
Revised Forecast	\$10,770,668	\$22,196,221	\$24,113,439	\$22,504,918	\$19,314,440	\$11,884,726	\$11,955,435
Annual % Growth		106.1%	8.6%	-6.7%	-14.2%	-38.5%	0.6%

### Revenue Source Summary:

A tax is imposed on each deed that transfers title to real property in the state or on the transfer of a controlling interest in an entity with a fee interest in real property in the state at the rate of \$2.20 for each \$500 or fractional part of the value of the real property. There are certain exemptions. Of the total tax, ½ is imposed on the grantor and ½ is imposed on the grantee. Ninety percent of the tax collected during the previous month is forwarded by each Registrar of Deeds to the State Tax Assessor. The remaining 10% is retained by the county and accounted for as reimbursement for services rendered in collecting the tax. Of the 90% that is forwarded to the State, ½ of the revenue attributable to the transfer of title to real property is credited to the Maine State Housing Authority's Housing Opportunities for Maine (H.O.M.E.) Fund, an Other Special Revenue program established by 30-A M.R.S.A. §4853.

The remainder is credited to the General Fund. In fiscal years 2004, 2005, 2006 and 2007 \$7,500,000 of the portion that would ordinarily be credited to the H.O.M.E. Fund is credited to the General Fund. Beginning July 1, 2002, transfers of controlling interests are subject to the same tax. After the deduction of 10% county share, the remaining 90% of proceeds from the tax on the transfers of controlling interests accrues to the General Fund.

### Revenue Source Forecast Factors and Trends:

Real estate market was growing very fast throughout most of FY05. In the June 2005 forecast, this line was revised downward by \$1,000,000 for FY05 based on 2 months of negative variances. However, the positive variance at the end of FY05 nearly completely reversed that revision, coming in ahead of the revised forecast by \$807,093. The trend through the early part of FY06 shows continued growth in this revenue above budgeted estimates. The assumptions in the December 2005 forecast assumed that the market would slow significantly in FY06. The 38.5% decline from FY07 to FY08 reflects the ending of the General Fund retention of \$7,500,000 of the H.O.M.E. Fund's share.

### Forecast Recommended Changes:

The RFC has recommended a one-time adjustment in FY06 to reflect the variance through the first 7 months of the fiscal year. The forecast assumes a slowing in the real estate market, hence the 6.7% decline from FY05 to FY06 after the one-time adjustment. Early indicators, particularly Massachusetts's recent experience, indicate a market turn around. Interest rates have been rising and prices are high in many areas.

### General Fund - Liquor Sales and Operations

	<b>FY03 Actual</b>	<b>FY05 Actual</b>	<b>FY05 Actual</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
Current Forecast	\$26,073,276	\$102,182,743	\$49,845,027	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Annual % Growth		291.9%	-51.2%	-97.0%	0.0%	0.0%	0.0%
Net Increase (Decrease)				\$1,034,391	\$2,000,000	\$2,000,000	\$2,000,000
Revised Forecast	\$26,073,276	\$102,182,743	\$49,845,027	\$2,534,391	\$3,500,000	\$3,500,000	\$3,500,000
Annual % Growth				-94.9%	38.1%	0.0%	0.0%

#### Revenue Source Summary:

In July 2004, the State signed a ten year lease with a private entity for the sale and distribution of spirits subject to price regulation by the Bureau of Alcoholic Beverages and Lottery Operations. Throughout the term the private entity is guaranteed a gross profit baseline percentage of 36.8%. Revenue sharing with the state is determined on a calendar year basis when aggregate sales exceed 36.8% at which time an amount equal to 50% of the gross profit overage is deposited in the General Fund.

#### Revenue Source Forecast Factors and Trends:

As a result of the aforementioned 10 year lease with the private entity, the State collected one-time payments from the private entity in the amounts of \$75,000,000 in FY04 and \$50,000,000 in FY05; these payments were budgeted as revenue amounts for the respective fiscal years and were deposited as revenue accordingly. As a result of the lease agreement and the one-time payments, the State had been foregoing budgeted revenue from Liquor Sales and Operations for the duration of the lease which includes FY06 through FY09.

#### Forecast Recommended Changes:

Most recently, aggregate sales have significantly exceeded the contractual threshold thereby triggering revenue sharing with the State. Accordingly, revenue estimates have been increased by \$1,034,391 in FY06 and by \$2,000,000 for FY07 and each fiscal year thereafter.

## General Fund - Parimutuel and Gaming Revenue

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$1,086,936	\$1,036,539	\$1,362,611	\$4,114,814	\$4,682,640	\$7,281,584	\$8,605,583
Annual % Growth		-4.6%	31.5%	202.0%	13.8%	55.5%	18.2%
Net Increase (Decrease)				\$321,336	(\$225,330)	(\$2,669,977)	(\$1,977,918)
Revised Forecast	\$1,086,936	\$1,036,539	\$1,362,611	\$4,436,150	\$4,457,310	\$4,611,607	\$6,627,665
Annual % Growth				225.6%	0.5%	3.5%	43.7%

### Revenue Source Summary:

For parimutuel revenue, the State collects a commission on live harness racing, race track simulcasting and off-track betting on horse racing. The commission for intrastate pools is 18% on regular wagers and 26% on exotic wagers. The commission on interstate common pools is the amount established by the State where the wager is pooled. Amounts collected as commissions are distributed among the General Fund and several dedicated funds or retained by or returned to race tracks and off-track betting facilities.

Gaming revenue is collected from slot machines which are currently authorized to be located on the premises of one commercial racetrack in Bangor and from various licensing and registration fees that are levied upon the private entities that own and operate the slot machines. Under current law (8 MRSA § 1036), 1% of the total slot income (the amount collected from slot machine players) is distributed to the General Fund as well as 3% of the gross slot income (the amount that is distributed to the owner and various governmental purposes after paybacks to the winning players).

### Revenue Source Forecast Factors and Trends:

To a certain extent, the collection of budgeted parimutuel revenue is dependent on favorable weather and overall economic conditions; protracted periods of inclement weather and poor economic trends will adversely effect both the attendance at commercial racetracks and the availability of discretionary resources to make wagers. Recent trends in the collection of parimutuel revenue show a negative variance of approximately \$118,000 between budgeted and actual revenue amounts.

The collection of previously budgeted gaming revenue has been significantly hampered by changing timelines in the opening of a slot machine facility in Bangor. Recently, Penn National, the licensed slot machine operator, opened a temporary facility in early November of 2005 with 475 registered slot machines. In addition, the best available information appears to indicate that Penn National will be opening a larger, permanent facility with 1,000 registered slot machines in June of 2008.

For this forecast, the Revenue Forecasting Committee has 3 months of actual data from which the Revenue Forecasting Committee has revised the spreadsheet that calculates the revenue from the racino initiative to provide more detailed assumptions based on actual experience.

Parimutuel Revenue is under budget in the current fiscal year by approximately \$118,000 through January. This appears to be related to a general decline in the handle or amount of wagers.

### Forecast Recommended Changes:

The attached spreadsheet details the revised assumptions that produce the revised estimate for revenue from the slot machine facility in Bangor. The critical assumption changes were the addition of a payback % factor, which is higher than original assumed and the monthly revenue per machine assumption which was detailed on a monthly basis to reflect seasonality in the expected total slot income and to reflect the novelty of the slot machine facility in the short-term. This estimate for FY08 and FY09 is based on the assumption that the permanent facility will open with 1,000 machine (rather than the 1,500 authorized) in Parimutuel Revenue is revised downward by \$118,000 per year to reflect the current year variance, which appears to be a result of an on-going decline in the handle.

## Revenue Forecasting Committee - March 2006 - Racino Revenue - June 2008 Opening

<b>GENERAL FUND REVENUE</b>	<b>2004-05*</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
December 2005 Forecast - General Fund Revenue	\$401,115	\$2,986,614	\$3,554,440	\$6,281,584	\$7,605,583
Incremental Effect of March 2006 Forecast	\$0	\$439,336	(\$107,330)	(\$2,551,977)	(\$1,859,918)
March 2006 Forecast - Revised General Fund Revenue	\$401,115	\$3,425,950	\$3,447,110	\$3,729,607	\$5,745,665

<b>FUND FOR A HEALTHY MAINE REVENUE</b>	<b>2004-05*</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
December 2005 Forecast - Fund for a Healthy Maine Revenue	\$0	\$1,675,960	\$2,619,136	\$4,638,093	\$5,735,400
Incremental Effect of March 2006 Forecast	\$0	(\$335,591)	(\$720,395)	(\$2,643,362)	(\$2,589,850)
March 2006 Forecast - Fund for a Healthy Maine Revenue	\$0	\$1,340,369	\$1,898,741	\$1,994,731	\$3,145,550

### Detail of Current Revenue Forecast - Distribution of Total Slot Income

		<b>2004-05*</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
Total Slot Income (Coin/Voucher In) (A)		\$0	\$225,022,311	\$271,248,750	\$290,318,750	\$462,650,000
Player's Share (Payback Value) (B)		\$0	\$211,618,620	\$252,261,338	\$270,371,438	\$431,194,500
General Fund - Administration	1.0%	\$0	\$2,250,223	\$2,712,488	\$2,903,188	\$4,626,500
"Gross Slot Machine Income" (A-B)		\$0	\$13,403,691	\$18,987,413	\$19,947,313	\$31,455,500
<b>Licensees' Share of "Gross Slot Machine Income"</b>	<b>61.0%</b>	<b>\$0</b>	<b>\$8,176,251</b>	<b>\$11,582,322</b>	<b>\$12,167,861</b>	<b>\$19,187,855</b>

<b>Distribution of State Share of "Gross Slot Machine Income"</b>	<b>39.0%</b>					
General Fund (other)	3.0%	\$0	\$402,111	\$569,622	\$598,419	\$943,665
Fund for Healthy Maine	10.0%	\$0	\$1,340,369	\$1,898,741	\$1,994,731	\$3,145,550
University of Maine Scholarship Fund (FAME)	2.0%	\$0	\$268,074	\$379,748	\$398,946	\$629,110
Maine Community College System - Scholarship Funds	1.0%	\$0	\$134,037	\$189,874	\$199,473	\$314,555
Resident Municipalities	1.0%	\$0	\$134,037	\$189,874	\$199,473	\$314,555
Purse Supplements	10.0%	\$0	\$1,340,369	\$1,898,741	\$1,994,731	\$3,145,550
Sire Stakes Fund	3.0%	\$0	\$402,111	\$569,622	\$598,419	\$943,665
Fund to Encourage Racing at Commercial Tracks	4.0%	\$0	\$536,148	\$759,497	\$797,893	\$1,258,220
Fund to Stabilize Off- Track betting	2.0%	\$0	\$268,074	\$379,748	\$398,946	\$629,110
Agricultural Fair Support Fund	3.0%	\$0	\$402,111	\$569,622	\$598,419	\$943,665

<b>Revenue Summary</b>	<b>2004-05*</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
<b>General Fund</b>					
One-time Reimbursement - Background Checks	\$1,475	\$161,116	\$0	\$0	\$0
General Fund Administration	\$0	\$2,250,223	\$2,712,488	\$2,903,188	\$4,626,500
General Fund (Other)	\$0	\$402,111	\$569,622	\$598,419	\$943,665
Licensing revenue	\$399,640	\$612,500	\$165,000	\$228,000	\$175,500
Subtotal - General Fund	<b>\$401,115</b>	<b>\$3,425,950</b>	<b>\$3,447,110</b>	<b>\$3,729,607</b>	<b>\$5,745,665</b>
<b>Fund for Healthy Maine</b>	<b>\$0</b>	<b>\$1,340,369</b>	<b>\$1,898,741</b>	<b>\$1,994,731</b>	<b>\$3,145,550</b>
<b>Other Special Revenue Funds</b>					
Harness Racing Commission	\$0	\$2,948,813	\$4,177,230	\$4,388,408	\$6,920,210
HRC - Subtotal	\$0	\$2,948,813	\$4,177,230	\$4,388,408	\$6,920,210
PUS- host municipalities	\$0	\$25,000	\$25,000	\$25,000	\$25,000
University of Maine Scholarship Fund (FAME)	\$0	\$268,074	\$379,748	\$398,946	\$629,110
Maine Community College System Scholarships	\$0	\$134,037	\$189,874	\$199,473	\$314,555
Resident Municipalities	\$0	\$134,037	\$189,874	\$199,473	\$314,555
Subtotal - Other Special Revenue Funds	<b>\$0</b>	<b>\$3,509,961</b>	<b>\$4,961,726</b>	<b>\$5,211,300</b>	<b>\$8,203,430</b>

### Details and Assumptions

Calculated Total Slot Machine Income Per Month	# of days	2004-05*	2005-06	2006-07	2007-08	2008-09
<b>Total Total Slot Income - Fiscal Year</b>		<b>\$0</b>	<b>\$225,022,311</b>	<b>\$271,248,750</b>	<b>\$290,318,750</b>	<b>\$462,650,000</b>
July	31	\$0	\$0	\$27,977,500	\$27,977,500	\$46,500,000
August	31	\$0	\$0	\$27,977,500	\$27,977,500	\$46,500,000
September	30	\$0	\$0	\$27,075,000	\$27,075,000	\$45,000,000
October	31	\$0	\$0	\$25,768,750	\$25,032,500	\$43,400,000
November	31	\$0	\$26,353,665	\$18,406,250	\$22,087,500	\$31,000,000
December	31	\$0	\$35,196,180	\$22,087,500	\$22,087,500	\$38,750,000
January	31	\$0	\$32,538,716	\$18,406,250	\$18,406,250	\$31,000,000
February	28	\$0	\$26,600,000	\$16,625,000	\$16,625,000	\$28,000,000
March	31	\$0	\$27,977,500	\$22,087,500	\$22,087,500	\$38,750,000
April	30	\$0	\$25,650,000	\$21,375,000	\$21,375,000	\$37,500,000
May	31	\$0	\$25,768,750	\$22,087,500	\$22,087,500	\$38,750,000
June	30	\$0	\$24,937,500	\$21,375,000	\$37,500,000	\$37,500,000

Player's Share of Slot Machine Income Per Month		2004-05*	2005-06	2006-07	2007-08	2008-09
<b>Total Player's Share - Fiscal Year</b>		<b>\$0</b>	<b>\$211,618,620</b>	<b>\$252,261,338</b>	<b>\$270,371,438</b>	<b>\$431,194,500</b>
July		\$0	\$0	\$26,019,075	\$26,019,075	\$43,710,000
August		\$0	\$0	\$26,019,075	\$26,019,075	\$43,710,000
September		\$0	\$0	\$25,179,750	\$25,179,750	\$41,850,000
October		\$0	\$0	\$23,964,938	\$23,280,225	\$40,362,000
November		\$0	\$24,785,622	\$17,117,813	\$20,541,375	\$28,830,000
December		\$0	\$33,168,880	\$20,541,375	\$20,541,375	\$36,037,500
January		\$0	\$30,586,393	\$17,117,813	\$17,117,813	\$28,830,000
February		\$0	\$25,004,000	\$15,461,250	\$15,461,250	\$26,040,000
March		\$0	\$26,298,850	\$20,541,375	\$20,541,375	\$36,037,500
April		\$0	\$24,111,000	\$19,878,750	\$19,878,750	\$34,875,000
May		\$0	\$24,222,625	\$20,541,375	\$20,541,375	\$36,037,500
June		\$0	\$23,441,250	\$19,878,750	\$35,250,000	\$34,875,000

Licensing and Application Revenues:	#	Fee	2004-05*	2005-06	2006-07	2007-08	2008-09
Slot Machine Operator- Initial Application Fee	1	\$200,000	\$200,000	\$75,000	\$75,000	\$75,000	\$75,000
Slot Machine Operator- Annual Renewal Fee		\$75,000	\$0	\$75,000	\$75,000	\$75,000	\$75,000
Transfer of Operator Renewal Fee to host municipality			\$0	(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)
Slot Machine Distributor - Initial Application Fee	3	\$200,000	\$199,640	\$400,000	\$0	\$0	\$0
Slot Machine Distributor - Annual Renewal Fee		TBD	\$0	\$0	\$0	\$0	\$0
Slot Machines - Initial Registration Fee		\$100	\$0	\$47,500	\$0	\$52,500	\$0
Slot Machines - Annual Renewal Fee		TBD	\$0	\$0	\$0	\$0	\$0
Gambling Services Vendors	4	\$2,000	\$0	\$8,000	\$8,000	\$8,000	\$8,000
Number of Licensed Employees				128	128	170	170
Application Fees from Licensed Employees		\$250	\$0	\$32,000	\$32,000	\$42,500	\$42,500
<b>Total License Fees</b>			<b>\$399,640</b>	<b>\$612,500</b>	<b>\$165,000</b>	<b>\$228,000</b>	<b>\$175,500</b>
Licensee Background Check Cost Reimbursement (one-time)			\$1,475	\$161,116	\$0	\$0	\$0

<b>Number of Machines</b>	<b>2004-05*</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
July	0	0	475	475	1,000
August	0	0	475	475	1,000
September	0	0	475	475	1,000
October	0	0	475	475	1,000
November	0	475	475	475	1,000
December	0	475	475	475	1,000
January	0	475	475	475	1,000
February	0	475	475	475	1,000
March	0	475	475	475	1,000
April	0	475	475	475	1,000
May	0	475	475	475	1,000
June	0	475	475	1,000	1,000

<b>Payback % Average for Month</b>	<b>2004-05*</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
July	0.00%	0.00%	93.00%	93.00%	94.00%
August	0.00%	0.00%	93.00%	93.00%	94.00%
September	0.00%	0.00%	93.00%	93.00%	93.00%
October	0.00%	0.00%	93.00%	93.00%	93.00%
November	0.00%	94.05%	93.00%	93.00%	93.00%
December	0.00%	94.24%	93.00%	93.00%	93.00%
January	0.00%	94.00%	93.00%	93.00%	93.00%
February	0.00%	94.00%	93.00%	93.00%	93.00%
March	0.00%	94.00%	93.00%	93.00%	93.00%
April	0.00%	94.00%	93.00%	93.00%	93.00%
May	0.00%	94.00%	93.00%	93.00%	93.00%
June	0.00%	94.00%	93.00%	94.00%	93.00%

<b>Average Total Slot Income Per Machine Per Day</b>	<b>2004-05*</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
<b>Average for the Fiscal Year</b>	<b>\$0</b>	<b>\$1,995</b>	<b>\$1,558</b>	<b>\$1,554</b>	<b>\$1,263</b>
July	\$0	\$0	\$1,900	\$1,900	\$1,500
August	\$0	\$0	\$1,900	\$1,900	\$1,500
September	\$0	\$0	\$1,900	\$1,900	\$1,500
October	\$0	\$0	\$1,750	\$1,700	\$1,400
November	\$0	\$2,134	\$1,250	\$1,500	\$1,000
December	\$0	\$2,179	\$1,500	\$1,500	\$1,250
January	\$0	\$2,447	\$1,250	\$1,250	\$1,000
February	\$0	\$2,000	\$1,250	\$1,250	\$1,000
March	\$0	\$1,900	\$1,500	\$1,500	\$1,250
April	\$0	\$1,800	\$1,500	\$1,500	\$1,250
May	\$0	\$1,750	\$1,500	\$1,500	\$1,250
June	\$0	\$1,750	\$1,500	\$1,250	\$1,250

<b>Calculation of 39% State Share</b>	<b>2004-05*</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
<b>Total 39% State Share - Fiscal Year</b>	<b>\$0</b>	<b>\$5,227,441</b>	<b>\$7,405,095</b>	<b>\$7,779,455</b>	<b>\$12,267,645</b>
July	\$0	\$0	\$763,786	\$763,786	\$1,088,100
August	\$0	\$0	\$763,786	\$763,786	\$1,088,100
September	\$0	\$0	\$739,148	\$739,148	\$1,228,500
October	\$0	\$0	\$703,487	\$683,387	\$1,184,820
November	\$0	\$611,537	\$502,491	\$602,989	\$846,300
December	\$0	\$790,647	\$602,989	\$602,989	\$1,057,875
January	\$0	\$761,406	\$502,491	\$502,491	\$846,300
February	\$0	\$622,440	\$453,863	\$453,863	\$764,400
March	\$0	\$654,674	\$602,989	\$602,989	\$1,057,875
April	\$0	\$600,210	\$583,538	\$583,538	\$1,023,750
May	\$0	\$602,989	\$602,989	\$602,989	\$1,057,875
June	\$0	\$583,538	\$583,538	\$877,500	\$1,023,750

<b>Fund for a Healthy Maine Share of 39% State Share</b>	<b>2004-05*</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
	<b>\$0</b>	<b>\$1,340,369</b>	<b>\$1,898,744</b>	<b>\$1,994,734</b>	<b>\$3,145,550</b>
July	\$0	\$0	\$195,843	\$195,843	\$279,000
August	\$0	\$0	\$195,843	\$195,843	\$279,000
September	\$0	\$0	\$189,525	\$189,525	\$315,000
October	\$0	\$0	\$180,381	\$175,227	\$303,800
November	\$0	\$156,804	\$128,844	\$154,613	\$217,000
December	\$0	\$202,730	\$154,613	\$154,613	\$271,250
January	\$0	\$195,232	\$128,844	\$128,844	\$217,000
February	\$0	\$159,600	\$116,375	\$116,375	\$196,000
March	\$0	\$167,865	\$154,613	\$154,613	\$271,250
April	\$0	\$153,900	\$149,625	\$149,625	\$262,500
May	\$0	\$154,613	\$154,613	\$154,613	\$271,250
June	\$0	\$149,625	\$149,625	\$225,000	\$262,500

<b>General Fund Share of 39% State Share</b>	<b>2004-05*</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
	<b>\$0</b>	<b>\$402,112</b>	<b>\$569,625</b>	<b>\$598,422</b>	<b>\$943,665</b>
July	\$0	\$0	\$58,753	\$58,753	\$83,700
August	\$0	\$0	\$58,753	\$58,753	\$83,700
September	\$0	\$0	\$56,858	\$56,858	\$94,500
October	\$0	\$0	\$54,114	\$52,568	\$91,140
November	\$0	\$47,041	\$38,653	\$46,384	\$65,100
December	\$0	\$60,819	\$46,384	\$46,384	\$81,375
January	\$0	\$58,570	\$38,653	\$38,653	\$65,100
February	\$0	\$47,880	\$34,913	\$34,913	\$58,800
March	\$0	\$50,360	\$46,384	\$46,384	\$81,375
April	\$0	\$46,170	\$44,888	\$44,888	\$78,750
May	\$0	\$46,384	\$46,384	\$46,384	\$81,375
June	\$0	\$44,888	\$44,888	\$67,500	\$78,750



## General Fund - Fines, Forfeits and Penalties

	<b>FY03 Actual</b>	<b>FY04 Actual</b>	<b>FY05 Actual</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
Current Forecast	\$26,991,935	\$38,219,275	\$35,506,972	\$43,042,996	\$44,705,883	\$42,015,208	\$42,020,208
Annual % Growth		41.6%	-7.1%	21.2%	3.9%	-6.0%	0.0%
Net Increase (Decrease)				(\$2,500,000)	(\$2,500,000)	(\$1,500,000)	(\$1,500,000)
Revised Forecast	\$26,991,935	\$38,219,275	\$35,506,972	\$40,542,996	\$42,205,883	\$40,515,208	\$40,520,208
Annual % Growth		41.6%	-7.1%	14.2%	4.1%	-4.0%	0.0%

### Revenue Source Summary:

Revenue derived from fines, forfeitures and penalties is collected primarily through the efforts of the Violations Bureau within the Judicial Department. These funds statutorily accrue to the state's General Fund as undedicated revenue. There are some instances where fines, forfeitures and penalties are credited to other funds, such as fines from certain traffic infractions against motor carriers credited to the Highway Fund. There are other situations where funds are statutorily dedicated for other specific purposes.

### Revenue Source Forecast Factors and Trends:

The major factors that affect this revenue source are the number of violators being prosecuted by law enforcement, the ability of violators to pay fines and the collection effort implemented by the judicial system. Historically, this revenue source has relied on beefed-up law enforcement, accelerated fine collections and increased fines as ways to generate additional revenue to the General Fund. PL 2005, chapter 12, chapter 457 and chapter 386 required 60 additional aircraft speed details, accelerated fine collection, seat belt enforcement fines and increased fines for assault, driving to endanger and certain drug offenses, resulting in additional revenues of \$5,258,007 in fiscal year 2005-06, \$6,239,659 in fiscal year 2006-07 and \$3,539,659 in fiscal year 2007-08 and 2008-09. In the first quarter of fiscal year 2005-06, there is a revenue shortfall of \$1.9 million. Approximately \$1.5 million is attributable to conversion problems in a new computer system; the remaining \$400,000 is revenue received during September but accounted for in October.

### Forecast Recommended Changes:

The Judicial Branch gross revenue estimate for Fiscal Year '06 is slightly more than \$49 million, which is \$10 million more than was collected in Fiscal Year '05. Based on the information available at this time we are estimating that revenue will be \$2.5 million below estimate in both Fiscal Years '06 and '07. The primary reason for the reduced estimate is our belief that money categorized as unpaid fines is less collectable than originally anticipated. Of the estimated \$7.5 million to be collected from overdue fines, beyond the amount normally collected by the court system, we are now estimating that we will collect \$2.5 million. The \$1.5 million downward revisions reflect the right off of future revenue associated with overdue fines.

### General Fund - Targeted Case Management (HHS)

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$33,235,104	\$34,762,095	\$34,518,055	\$34,907,681	\$35,271,042	\$35,786,872	\$36,262,056
Annual % Growth		4.6%	-0.7%	1.1%	1.0%	1.5%	1.3%
Net Increase (Decrease)				(\$3,500,000)	(\$3,500,000)	(\$3,500,000)	(\$3,500,000)
Revised Forecast	\$33,235,104	\$34,762,095	\$34,518,055	\$31,407,681	\$31,771,042	\$32,286,872	\$32,762,056
Annual % Growth		4.6%	-0.7%	-9.0%	1.2%	1.6%	1.5%

#### Revenue Source Summary:

This revenue source is Medicaid reimbursement for case management services provided by the Bureau of Elder and Adult Services, the Bureau of Child and Family Services, and the Bureau of Health within the Department of Health and Human Services. It also includes reimbursement for services provided by adult mental health caseworkers and case management for persons with mental retardation.

#### Revenue Source Forecast Factors and Trends:

Major factors include: the volume and timeliness of claims submitted and paid by Medicaid for these services; the rates billed and allowable for these services, and the prevailing federal match rate for these services. Ongoing implementation issues with the new Medicaid claims processing system (MECMS) has resulted in a delay in the payment of all Medicaid claims including these for Targeted Case Management Services (i.e., services provided). Estimates for the forecast period assume these issues will be resolved before the close of FY 06 and that the equivalent of at least 12 months of claims will be paid each fiscal year.

#### Forecast Recommended Changes:

The forecast assumes revenue from this source will be under budgeted by \$3,000,000 in FY 06 and \$5,000,000 annually beginning in FY 07. The decline in revenue is primarily attributed to a decline in caseload in the individual revenue line projections for case management services provided by the Bureau of Child and Family Services and case management services provided to persons with mental retardation. The forecast does not reflect any impact that may arise as a result of a TCM audit being conducted by the federal Department of Health and Human Services, Office of the Inspector General (OIG).

## General Fund - State Cost Allocation Program (STACAP)

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$10,986,971	\$10,438,262	\$12,891,574	\$10,537,222	\$10,721,512	\$10,721,512	\$10,721,512
Annual % Growth		-5.0%	23.5%	-18.3%	1.7%	0.0%	0.0%
Net Increase (Decrease)				\$1,000,000	\$1,000,000	\$0	\$0
Revised Forecast	\$10,986,971	\$10,438,262	\$12,891,574	\$11,537,222	\$11,721,512	\$10,721,512	\$10,721,512
Annual % Growth		-5.0%	23.5%	-10.5%	1.6%	-8.5%	0.0%

### Revenue Source Summary:

The State Cost Allocation Plan (STACAP) distributes central service overhead costs to all programs within the MFASIS accounting system. Central services are provided by those administrative units that mainly provide services to departments and agencies and not to the general public. Examples of central services include building use and maintenance, equipment use, Capitol Security, accounting, budgeting, accounts payable, payroll, human resources, employee relations, purchasing, auditing, cash management, records storage, etc. The allowable overhead costs are allocated to all applicable agencies and programs and an individual indirect cost rate is calculated for each agency.

The indirect cost rate is assessed against operating expenditures and the assessed amount is transferred monthly to the General Fund. The allocation is based on all fund types but is assessed only on non-General Fund operating expenditures. The assessment is applied to expenditures in most character and object codes. No STACAP charges are applied to expenditures for grants to governments, individuals, private or public agencies, for pensions or workers compensation benefits or for capital equipment or improvements.

### Revenue Source Forecast Factors and Trends:

In FY05, the STACAP revenue category had a substantial positive variance of \$2,199,069 (+20.6%). This positive variance was the result of an increase of \$133 million in the expenditure base with non-general fund expenditures growing by 2%. There has also been no negative effect from the carry-forward calculation.

Within this category is a reimbursement to the Highway Fund for Highway Fund expenditures that qualify for reimbursement as central administrative costs. The budgeted revenue is based on Highway Fund allocations to the Building and Grounds Operations program within the Department of Administrative and Financial Services.

This forecast was revised upward by \$1.0 million annually in December. The performance in the current fiscal year continues to exceed the revised forecast.

### Forecast Recommended Changes:

Based on the current variance over revised projections, the committee is recommending an additional increase of \$1,000,000 each year in the General Fund revenue during 2006-2007 biennium. The committee has delayed recognition of this additional revenue on an on-going basis in the 2008-2009 biennium due to uncertainty about future expenditures and potential carry-forward calculation effects.

### General Fund - Education Efficiency Fund Transfer

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$0	\$0	\$0	\$0	\$0	(\$14,552,541)	(\$20,730,626)
Annual % Growth		N/A	N/A	N/A	N/A	N/A	42.5%
Net Increase (Decrease)				\$0	\$0	(\$354,796)	(\$743,291)
Revised Forecast	\$0	\$0	\$0	\$0	\$0	(\$14,907,337)	(\$21,473,917)
Annual % Growth		N/A	N/A	N/A	N/A	N/A	44.0%

#### Revenue Source Summary:

The amounts above reflect transfers to the Fund for the Efficient Delivery of Educational Services within the Department of Education established in Public Law 2005, Chapter 2, Part D. Beginning in FY08, the State Controller is to transfer an amount equivalent to 1.5% of the total amount appropriated for general purpose aid for local schools. That amount increases to 2.0% of the total GPA appropriation beginning in FY09 and each fiscal year thereafter.

#### Revenue Source Forecast Factors and Trends:

This transfer is driven by the amount of funds projected to be needed to fulfill the State's share of the total cost of K-12 public education based on the Essential Programs and Services model. Title 20-A, §15671, sub-§7 requires the State to fund 54.44% of 95% of the total cost of K-12 education in FY08 and 55% of the total EPS cost beginning in FY09. The primary factors in estimating the total cost of funding K-12 education include student enrollment, wages and benefits for school personnel, special education costs, and the rate of inflation (CPI).

#### Forecast Recommended Changes:

The FY08 and FY09 changes are based on the Commissioner's Recommended Funding Level prepared in December 2005 which reprojected the total cost of funding K-12 public education beginning in FY07. The increase in funding is due to several factors including a slower than anticipated decline in student enrollment, a higher than anticipated rate of inflation and an increase in the years of experience of professional

## General Fund - Tourism Transfer

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$0	(\$7,213,282)	(\$7,554,190)	(\$7,762,689)	(\$8,237,761)	(\$8,675,720)	(\$9,145,907)
Annual % Growth		N/A	4.7%	2.8%	6.1%	5.3%	5.4%
Net Increase (Decrease)				\$0	\$135,674	\$145,633	\$154,127
Revised Forecast	\$0	(\$7,213,282)	(\$7,554,190)	(\$7,762,689)	(\$8,102,087)	(\$8,530,087)	(\$8,991,780)
Annual % Growth		N/A	4.7%	2.8%	4.4%	5.3%	5.4%

### Revenue Source Summary:

The amounts above reflect transfers to the Tourism Marketing Promotion Fund within the Department of Economic and Community Development, Office of Tourism. Beginning July 1, 2003 and every July 1st thereafter, the State Controller transfers to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the 7% tax imposed on tangible personal property and taxable services pursuant to Title 36, section 1811, for the first 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund as described by Title 30-A, section 5681, subsection 5. Beginning on October 1, 2003 and every October 1st thereafter, the State Controller transfers to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the 7% tax imposed on tangible personal property and taxable services pursuant to Title 36, section 1811, for the last 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund. The tax amount may not consider any accruals.

The amount transferred from General Fund sales and use tax revenues does not affect the calculation for the transfer to the Local Government Fund.

### Revenue Source Forecast Factors and Trends:

This transfer is driven by the revenue forecast of the meals and lodging. Given the detail available for the 7% tax portion of the Sales and Use Tax, the Sales Tax model is targeted for this category.

### Forecast Recommended Changes:

The FY06 recommended change is based on actual data from FY05 that is transferred in FY06. The remaining upward recommendations reflect the adjustments forecast by the sales tax model.

## General Fund - Other Miscellaneous

	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Current Forecast	\$27,007,764	\$46,790,827	\$36,659,221	\$32,845,769	\$30,674,180	\$27,734,880	\$24,846,666
Annual % Growth		73.2%	-21.7%	-10.4%	-6.6%	-9.6%	-10.4%
Net Increase (Decrease)				(\$1,853,125)	(\$942,197)	(\$948,243)	(\$954,449)
Revised Forecast	\$27,007,764	\$46,790,827	\$36,659,221	\$30,992,644	\$29,731,983	\$26,786,637	\$23,892,217
Annual % Growth		73.2%	-21.7%	-15.5%	-4.1%	-9.9%	-10.8%

### Revenue Source Summary:

This group reflects all the other General Fund revenue sources collected by the various departments and agencies that are not otherwise classified in the General Fund Summary Table.

Provided below is a summary of the major one-time or temporary revenue adjustments that have affected the revenue growth pattern of this group. This group includes many miscellaneous one-time items that distort trends. The list below summarizes the effect of some of the significant one-time or temporary revenue initiatives.

Unusual-Temporary Revenue	FY03 Actual	FY04 Actual	FY05 Actual	FY06	FY07	FY08	FY09
Highway Fund Revenue Sharing	\$0	\$13,570,000	\$9,600,000	\$0	\$0	\$0	\$0
Other Revenue Sharing Transfer	\$0	\$0	\$0	\$0	\$5,000,000	\$0	\$0
School Construction Recovery	\$0	\$0	\$0	\$5,900,000	\$0	\$0	\$0
HHS - Intergovernment Transfers	\$1,000,000	\$5,844,528	\$1,681,272	\$0	\$0	\$0	\$0
HHS Audit Settlements	\$495,163	\$3,490,837	\$1,199,437	\$50,000	\$50,000	\$50,000	\$50,000
Milk Pool Distribution Transfer	\$0	\$0	\$0	(\$306,871)	(\$1,420,000)	(\$1,420,000)	(\$1,420,000)
Transfer of Limestone Rental	\$0	\$0	\$0	\$855,223	\$1,109,723	\$0	\$0
Total Temporary Revenue	\$1,495,163	\$22,905,365	\$12,480,709	\$6,498,352	\$4,739,723	(\$1,370,000)	(\$1,370,000)
<b>Adjusted Total</b>	<b>\$25,512,601</b>	<b>\$23,885,462</b>	<b>\$24,178,512</b>	<b>\$24,494,292</b>	<b>\$24,992,260</b>	<b>\$28,156,637</b>	<b>\$25,262,217</b>
<b>Adjusted Annual % Growth</b>		<b>-6.4%</b>	<b>1.2%</b>	<b>1.3%</b>	<b>2.0%</b>	<b>12.7%</b>	<b>-10.3%</b>

### Summary of Revenue Adjustments

Presented below are the adjustments made to the various revenue sources in this category with a brief description of the reason for the change.

<b>Conservation - Parks - Recreational Use of Parks (2610)</b>				
	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
	(\$463,629)	\$0	\$0	\$0
This one-time reprojection in FY06 reflects a 5.1% decline in total parks attendance from the previous year; the decline is attributed to poor weather and the spike in gas prices and attendance is expected to recover to previous levels in future years.				

**Conservation - Division of Forest Protection - Filing Fees (2632)**

<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
(\$704,700)	(\$617,400)	(\$617,400)	(\$617,400)

This revenue item pertains to the new burn permit system which allows users to purchase burn permits from the Department of Conservation on-line at a cost of \$6 per permit; use of the new system has been significantly below the original prediction of \$792,000 in annual revenue beginning in FY06.

**Corrections - Adult Community Corrections - Miscellaneous Income (2686)**

<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
(\$280,000)	\$0	\$0	\$0

This one-time reprojection in FY06 reflects a downward trend in the collection of revenue from supervision fees as a result of a reduction in probation caseload, higher risk offenders are less likely to afford supervision fees and the Department of Corrections has experienced a delay in the implementation of an automated reporting and collection system designed to enhance the collection process.

**Education - Support Systems - Filing Fees (2632)**

<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
(\$400,000)	(\$325,694)	(\$332,200)	(\$338,800)

This revision corrects an estimate of a recent legislative change that added the original budgeted amounts to the incremental change from adding certain certification fees. The FY06 reduction is slightly higher to reflect the certification renewal of several hundred teachers prior to the fee increase taking effect in mid-September.

**Inland Fisheries and Wildlife - Gas Tax (0321)**

<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
(\$4,796)	\$897	\$1,357	\$1,751

This change adjusts the General Fund share of gas tax revenue to be consistent with the changes recommended for the Highway Fund.